

# APPROVED

**SUMMARIZED MINUTES  
SCOTTSDALE CITY COUNCIL  
MONDAY, JUNE 28, 2004**



**CITY HALL KIVA  
3939 N. DRINKWATER BOULEVARD  
SCOTTSDALE, AZ 85251**

## **CALL TO ORDER**

Mayor Manross called to order a Special Meeting of the Scottsdale City Council on Monday, June 28, 2004 in the Kiva, City Hall, at 5:05 P.M.

## **ROLL CALL**

Present: Mayor Mary Manross  
Vice Mayor Robert Littlefield  
Council Members Betty Drake, Wayne Ecton,  
Ron McCullagh, W.J. "Jim" Lane, and Kevin Osterman

Also Present: City Manager Jan Dolan  
City Attorney Joseph Bertoldo  
City Clerk Carolyn Jagger

## **REGULAR AGENDA – ITEM 1**

1. Discuss and obtain public comment on the proposed ASU-Scottsdale Technology Center terms for the acquisition and lease of property located at the southeast corner of Scottsdale and McDowell roads, formally known as Los Arcos. No official Council action will be taken.

### Presentations:

- **Staff - Dave Roderique**

**Purpose**

- Review information on the proposal to create the "ASU-Scottsdale Center for New Technology and Innovation" on the former Los Arcos site.
- Discuss questions raised by the Council and the public.
- Hear a presentation by ASU regarding the proposal.

NOTE IN ACCORDANCE WITH PROVISIONS OF THE ARIZONA REVISED STATUTES THE SUMMARIZED MINUTES OF CITY COUNCIL MEETINGS ARE NOT VERBATIM TRANSCRIPTS. ONLY THE ACTIONS TAKEN AND DISCUSSION APPEARING WITH QUOTATION MARKS ARE VERBATIM. DIGITAL RECORDINGS OF CITY COUNCIL MEETINGS ARE ON FILE IN THE CITY CLERK'S OFFICE.

- Council action scheduled for July 6th.

#### **Proposal**

- The City has been approached by ASU about the potential of developing the former Los Arcos Mall site into a major technology, innovation, and creativity center. This site would contain about 1.2 million sq. ft., and could support as many as 4,000 relatively high paying jobs at buildout.
- In order to facilitate this development, the City has been asked to purchase the Los Arcos site for \$41.5 million, enter into a long-term lease with the Arizona State University Foundation, and provide up to \$45 million in site related infrastructure. The transaction must be approved by the City no later than 7/9.

#### **Purchase Agreement**

- The ASUF has negotiated a purchase agreement with The Ellman Companies to acquire the former Los Arcos Mall site for \$41.5 million, subject to approval by the Council of the purchase and lease by 7/9, and close of escrow by 7/30. The site will be conveyed to the ASUF free and clear of all existing liens, and conveyed "as-is".

#### **Key Terms and Conditions of the Proposed Lease between the City and ASUF**

- Parties: City will own the land and enter into a ground lease with the Arizona State University Foundation Scottsdale L.L.C. (ASUF).
- Leased Land: The City will lease to ASUF approximately 37 of the 42 acres of the former Los Arcos Mall site. The City will retain about 2 acres along Scottsdale Road for future development, and 3 acres east of 74th St.
- Name: "ASU-Scottsdale Center for New Technology and Innovation."
- Lease Term: 99 year initial lease term, with one 99 year option to extend.
- Development: At buildout, the Center is anticipated to have approx. 1.2 mil. sq. ft. of space (about 90% office); 3,000-4,000 parking spaces (primarily structured); and open space/public plazas. Total estimated cost to develop will be \$250-300 million.
- Development Standards: The maximum permitted Floor Area Ratio (FAR) is 0.8; the maximum permitted height will be 60'.
- City Approvals: The development will be subject to all applicable City zoning, design review, and permitting processes. There will be no fee waivers or tax abatements by the City for this project.
- City Expenditures: City will provide site infrastructure up to \$45 million, including demolition, grading, environmental remediation, streets, utilities, parking structures, public art and plazas, etc.
- ASUF Expenditures: ASUF is responsible for the cost of constructing all the buildings, and for the Center's operation/maintenance.

#### **Minimum Development Schedule:**

- By 7/05: City entitlements complete and site infrastructure construction commenced
- By 8/06: Construction must begin on at least 150,000 sq. ft.
- By 8/07: Construction must be complete on at least 150,000 sq.ft.
- By 8/10: Construction must be complete on at least another 150,000 sq.ft.

- Every 3 years thereafter: Construction of at least another 150,000 sq. ft. must be completed
- Complete buildout is required by 2028; current projections anticipate buildout by 2015.
- Nature of Center: At least 51% of the office leaseable area (excluding retail) of the first 150k must be occupied by tenants involved in technology, innovation, or creativity. Thereafter ASUF is required to maintain this character until at least 1 mil. sq. ft. are built or the year 2025, whichever is first.
- Remedies for Non-Performance: If ASUF fails to meet the development timetable or fails to maintain the nature of the center, the City has the right to use the undeveloped remainder of the property.
- Rent Payments: ASUF will pay to the City, on an annual basis, a payment equal to 50% of the net revenues generated from this project up to a maximum cap of \$81.4 million (allocable share of \$86.5 mil. in land and infrastructure costs, exclusive of 5 acres retained by the City, but not debt service costs). Net revenues are gross revenues minus project related operation/maintenance expenses, building debt service payments, and capital expenditure/tenant improvement reserve funds. The City and ASUF will share equally in any refinance or sale proceeds.

#### **Paying for Land**

- \$41.5 million land acquisition, plus closing costs, payable prior to 7/30/04
- Proposed approach: Issue \$42 million in Municipal Property Corp. (MPC) bonds, with 30 year amortization. These bonds are backed by the City's excise tax, rather than a specific revenue source. \$42 mil. would cover closing costs and bond issuance costs. The bonds may be issued in the future with a Reimbursement Resolution.
- MPC Board has met and approved this plan

#### **Paying for Infrastructure**

- Up to \$45 million for site infrastructure
- Spread out over several years:
  - \$10-15 million within first 1-2 years (for demolition, grading, streets, utilities, etc.) This could be paid for on a "pay-as-you-go" basis out of City reserves (i.e. Economic Investment Fund, capital contingency, etc.)
  - \$30-35 million 4+ years out (for building the structured parking). This could be paid for either through planned CIP funds, or through additional MPC bonds, if necessary.

#### **Total City Obligations**

Land Acquisition: \$42 million  
Infrastructure: \$45 million (cap)  
Est. debt service: \$33-43 million  
Total: \$120-130 million Issues

#### **Fiscal Analysis**

- How would alternative uses compare
- Process (timing, use of emergency clause)
- Lack of direct retail on the site
- Will this create spin off benefits

- Schedule for improvements

**1. Issue --Fiscal Impacts (Direct)**

- Three sources of direct fiscal impacts:
- Lease revenue from ASUF: up to \$81.4 million (anticipated to take 30-40 years)
- Lease revenue on 5 acres: \$8 mil. (first 30 yrs.)

**Direct tax revenues from the site (sales tax, property tax on buildings, construction sales tax, permits and fees, bed tax, etc.):**

- Over 30 yrs. w/o inflation: \$26-32 million
- Over 30 yrs. w/ inflation: \$35-42 million
- Total est. direct fiscal impact: \$118 mil. Fiscal Impacts - Indirect
- Staff analysis made 2 assumptions:
  - This would spur on redevelopment of key nearby commercial properties (such as Los Arcos Crossing and the K-Mart site), which would result in a net increase in City tax revenues of about \$43 million over 30 years.
  - This would stabilize the sales and property tax revenues in this area (currently declining), which would result in a net increase in City tax revenue of about \$103 mil. over 30 years.
- Total est. indirect fiscal impact: \$149 mil. Fiscal Summary
- Total City obligations: land acquisition, site infrastructure, debt service on the bonds: \$125 mil.

**Total New City Revenues:**

- Direct from Project: \$118 mil.
- Indirect from Area: \$149 mil.
- Total: \$267 mil.
- Net impact: approximately \$142 million

**2. Issue - Comparison of Alternatives**

- Net Fiscal Impact (revenues – costs) 30 yrs.

**ASU Proposal:**

- All High Density Residential: + \$142 million
- All Retail: + \$ 66 million
- All Retail: + \$112 million
- Mixed Use (retail/office/resid.) + \$114 million Property Tax Comparison
- ASU proposal (property tax on the improvements only): \$5.15 mil.
- Residential option: \$1.28 mil.
- Retail option: \$1.26 mil.
- Mixed Use option: \$1.35 mil.
- The difference is the result of the ASU project having a significantly higher assessed valuation, even without land

**3. Issue – Process/Timing**

- Concerns have been raised about the fast timing – need for action by 7/9 and need to close by 7/30 – and the use of the Emergency Clause
- Based on constraints imposed by the owner of the property
- Also, based on ASU's desire to move quickly with construction of first phase

**4. Issue – Lack of Retail/Services**

- Concerns have been raised by immediate neighborhood that this project will not provide the retail/services they desire
- Center is projected to have up to 10% of the site (max. 135,000 sq.ft.) developed as retail and support services
- Project has potential to be a catalyst for the revitalization of the area; key staff goal is working w/ key adjacent properties to facilitate new or renovated retail/services

**5. Issue – Will this Create Spin off Benefits in the Area**

- Concerns have been raised about whether or not this use will create the types of positive impacts on the surrounding community to cause the revitalization of southern Scottsdale
- Economics – Enhance existing economic drivers and target key areas for revitalization
- Residential Revitalization – Upgrade existing housing and encourage diversity in new housing
- Community Pride and Characteristics - Promote unique characteristics e.g. open space, location, etc.
- Quality Development and City Services – Provide services to address area needs and assure quality
- Partnerships and Connections – Assure regional connections to schools, ASU, SRPMIC, etc.

**Significance of Los Arcos Site**

- Improving the Los Arcos site by itself is not enough
- Success for Scottsdale will require many individual properties to reinvest and revitalize
- However, because of the size, location, and visibility of the Los Arcos site, it is an integral component to the successful revitalization of Scottsdale
- The site along with other properties will be a catalyst for further reinvestment and optimism for the maturing neighborhoods of Scottsdale

**Issue-Schedule**

- Planning Entitlements
- City Initiates Rezoning (August)
- City Works with ASU Foundation on Site Plan
- ASU Foundation Submits Site Plan for Review
- Public Hearings - site plan and zoning w Infrastructure
- Phase 1 Clean up (September-October)
- Phase 2 Building new Infrastructure
- Site development (2005)
- Parking Structure (2007)

**Public Outreach** (focus on surrounding neighborhoods)

- Concept Master Plan - McDowell and Scottsdale Rd. Corridors
- Future Utilization of City Property
- Public Hearing Process - Zoning and DRB with Financial
- MPC Bond Sale (September)

**Proposed Actions on 7/6**

- Authorize the real estate purchase of the Los Arcos site from the ASUF for \$41.5 mil.
- Authorize agreement w/ MPC for funding purchase
- Authorize ground lease w/ ASUF for the Center
- Approve budget expenditure for property purchase
- Approve budget transfer from Economic Investment Fund up to \$9 mil. to begin demolition/infrastructure
- Consider request by Vice Mayor to establish a formal task force to help plan 5 ac. development
- Note: Items 1-3 are requested to be approved with the use of the Emergency Clause

• **Staff - Ed Gawf**

- **Economics** – Enhance existing economic drivers and target key areas for revitalization
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**Schedule** – How do we get there?

- Planning Entitlements
- City Initiates Rezoning (August)
- City Works with ASU Foundation on Site Plan
- ASU Foundation Submits Site Plan for Review
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**Financial**

- MPC Bond Sale (September)

• **ASU Foundation – Stephen Evans**

**Center Development Schedule and Impact**

**Our plan**

250,000 sq ft of buildings (estimated 750 jobs) every two years.

**Minimum Schedule (in lease)**

150,000 sq ft of buildings (estimated 450 jobs) every three years.

<u>Event</u>	<u>ASUF Plan (cumulative)</u>	<u>Minimum Schedule (Cumulative)</u>
Clean up/landscaping	Immediate	Immediate
Start construction	2005	2006
Open Phase I	2006 (250K sq ft/750 jobs)	2007 (150K sq ft/450 jobs)
Open Phase II*	2008 (500K sq ft/1500 jobs)	2010 (300K sq ft/900 jobs)
Complete Center	2015 (1.2M sq ft/3600 jobs)	2028 (1.2M sq ft/3600 jobs)

\*Center reaches critical mass at 300K sq ft/900 jobs

**Center Development Schedule and Impact (con't)**

**Scottsdale Financial Investment**

**Costs**

Land and infrastructure	\$ 87.0M	(\$81.4M of cost relates to the Center)
<u>Interest</u>	<u>\$ 38.0M</u>	(City estimate)
Total	\$125.0M	

**Scottsdale Financial Benefit**

**Direct Benefit**

ASUF lease payments	\$ 81.4M	(50% of net revenues)
Other lease revenues	\$ 8.0M	(from property retained by Scottsdale)
<u>Direct tax revenues</u>	<u>\$ 28.8M</u>	(City estimate)
Total direct revenues	\$118.2M	

**Indirect Benefit**

\$148.8M (City estimate)

**Total Financial Benefit** \$267.0M

- **ASU – Michael Crow**

**Not a Real Estate Deal**

- Participants — City of Scottsdale
- ASU Foundation
- Arizona State University

**ASU's principal roles —**

- Conceptualize and design an original, world-class “assembly point” for knowledge/technology businesses (not a traditional research park, business park or university campus)
- Place key ASU units in the Center to help attract a variety of businesses, entrepreneurs and knowledge workers

**Economic Development in the Knowledge Economy**

- requirements
- highly-educated, “creative-class” workers
- innovative and creative businesses willing to take risks
- distinctive products and services
- venture capital
- universities and private research firms in alignment with local economic goals
- ability to act quickly
- good quality of place
- patience
- innovation-driven industries create substantial wealth
- pay high wages
- spawn new businesses
- attract knowledge workers
- stimulate/revitalize local economies
- have global markets
- import money

**Technology Fusion**

- some promising new commercial opportunities
- next-generation televisions and video displays
- digital/holographic animation and special effects
- virtual/mixed reality
- smart clothing
- entertainment and domestic robotics
- skycars
- intelligent personal medical devices
- genetaceuticals
- supermaterials
- smarter, smaller everything

**At the Center**

- ASU innovation, enterprise and education units
- Technology-focused businesses
- Retail: shops, cafes, restaurants
- Investors and financial services



- Digital and video artists
- Professional business support services
- Community education programs
- Technology commercialization organizations
- Other compatible businesses

**Innovation in Business and Technology (examples)**

- ASU Technopolis
- Arizona Technology Enterprises, LLC
- ASU student-focused entrepreneurship programs
- Businesses that have or want alliances with ASU research and talent
- Technology-focused service providers
- Businesses that seek benefits of knowledge cluster critical mass

**Innovation in Digital Arts (examples)**

- ASU's Arts, Media and Engineering Program
- Next generation simulation, gaming and digital entertainment entrepreneurs
- Grant-writing program for research opportunities at the nexus of information technology, digital arts and entertainment

**Innovation in Community Education (examples)**

- ASU's Technology-Based Learning and Research program
- ASU's President's Enrichment Series
- Joint Scottsdale Community College-ASU programs
- ASU's Institute for Advanced Studies

**Why Businesses Will Engage**

- Interaction with ASU units located in the Center
- Proximity to research and knowledge activities at ASU Main
- Scottsdale's national reputation, amenities, businesses and quality of life
- Proximity to route 101, airport
- Best-in-class architectural design
- Cluster of knowledge-business opportunities
- Nothing else like it in Southwest

**Going Forward**

- Study and learn from technology parks, creativity centers, digital arts projects around the globe
- Add business themes that build on Scottsdale's, ASU's and Arizona's assets and aspirations
- Engage best-in-class architects
- Work with neighbors, businesses and the City to establish a design
- Identify potential additional partners
- Develop and market first building

**Concept Summary**

- Original, world-class "assembly point" for technology businesses, researchers, knowledge workers and investors

Attract a variety of businesses and retail tenants that reflect market realities

Not a traditional research park or campus

Focus on technology commercialization

Transdisciplinary: intersection of engineering, art, science and entrepreneurship

\*\*\*\*\*

Public testimony opened:

**Richard Mueller**, 960 N 87<sup>th</sup> Wy, 85257, expressed opposition to the use of the emergency clause. He questioned whether the city's costs would be protected from inflation and what would happen with the project in 30 years.

**David Basha**, PO Box 488, Chandler, 85244, expressed support for the project as he felt it would invigorate the area and bring in retailers.

**Art Decabooter**, 7925 E North Ln, 85258, President of Scottsdale Community College, stated his enthusiastic endorsement of the proposal since he believed the entities would benefit the students, faculty, interns, and graduates.

**Paula Waybright**, 8118 E Sheridan St, 85257, expressed concerns about the lack of information and use of the emergency clause.

**Tom Jelinak**, Pastor of Los Arcos United Methodist Church, 6916 E Granada, 85257, felt the proposal offered many advantages to the area. He requested consideration be given to visibility and parking for the church.

**Drew Brown**, 7600 E Doubletree Ranch Rd, expressed his support and excitement about realization of a dream, as identified in the Which Way Scottsdale Report.

**Nicholas Thomas**, 7627 E Onyx St, 85258, stated his belief that any community would want the project, but questioned if there was a redevelopment plan for the entire neighborhood.

**Nancy Cantor**, 2529 N 86<sup>th</sup> St, 85257, felt the project would be a good gateway for Scottsdale and would provide stability, but urged the Council to listen to the concerns of citizens.

**Michael Merrill**, 8713 E Vernon Av, 85257, compared costs for the project with those of the mountain preserve. He stated his belief that it was time to commit funding for the southern area of the city.

**Maria Baier**, on behalf of Valley Partnership, 3003 N Central, #310, Phoenix, 85012, strongly supported the project to bring quality long-term economic growth to Scottsdale (letter attached).

**Patricia Bush**, 6937 E Moreland St, 85257, expressed concerns about the lack of retail in the proposal and wondered if the property taxes were current.

**Mary Jo Waits**, author of the Which Way Scottsdale Report, no address given, expressed her excitement about the opportunities being presented to Scottsdale.

**Lyle Wurtz**, 6510 E Palm Ln, 85257, expressed his opposition to the proposal. He stressed that Scottsdale has never had a successful venture where they owned land or businesses.

**Cary Ley**, 2571 N Miller Rd, 85257, stated his belief that the proposal was an opportunity to change history and spur revitalization.

**Sharon Morgan**, 7304 E McKinley St, 85257, was supportive but urged Council to start now in attracting retail to the area.

**Darlene Petersen**, 7327 E Wilshire Dr, 85257, opposed the emergency clause, and wished to have the area removed from redevelopment. She requested to be on the task force for input into the site plan if a group is formed.

**Jay Haugen**, 8637 E Avalon Dr, 85251, stated his belief that the project would be a positive step for Scottsdale.

Public testimony closed. Five additional citizen comment cards were received from citizens in favor of the proposal but not wishing to speak. (Letter attached from Sam West).

Council and staff discussion resulted in the following information:

- Staff clarified that taxes were paid up-to-date for the property.
- The contract will be void if the purchase of the property is not completed by July 30, 2004, thus the need for the emergency clause.
- Contract text will be available for examination by tomorrow.
- A meeting will be held this week with Heard Chevrolet in regard to removal of vehicles from the property.

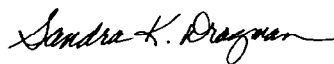
**CITY MANAGER'S REPORT** - None

**MAYOR AND COUNCIL ITEMS** - None

## **ADJOURNMENT**

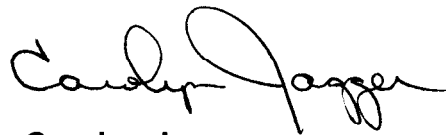
With no further business to discuss, the meeting adjourned at 7:33 P.M.

**SUBMITTED BY:**



**Sandy Dragman**  
Recording Secretary

**REVIEWED BY:**



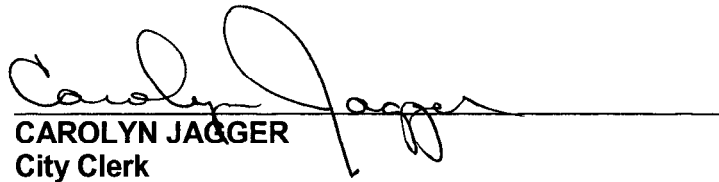
**Carolyn Jagger**  
City Clerk

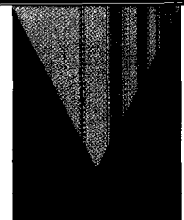
## **CERTIFICATE**

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Special Meeting of the City Council of Scottsdale, Arizona held on the 28th day of June 2004.

I further certify that the meeting was duly called and held, and that a quorum was present.

**DATED** this 8th day of July 2004.

  
**CAROLYN JAGGER**  
City Clerk



VALLEY  
PARTNERSHIP

June 28, 2004

The Honorable Mary Manross  
Mayor  
City of Scottsdale  
3939 Drinkwater Boulevard  
Scottsdale, Arizona  
85251

Dear Mayor Manross:

On behalf of the 600 businesses and organizations who are members of Valley Partnership, I write to commend you and your fellow City Council members on your leadership in working toward the establishment of the ASU Scottsdale Center for New Technology and to let you know of our support for this pursuit.

Inasmuch as the mission of Valley Partnership is "to promote responsible development," we tracked with great interest media coverage of the proposal, which led to our request for a presentation on the project to our City/County Committee at its meeting last week. After hearing Dave Roderique of your Economic Vitality Department describe its parameters, the Committee unanimously recommended that Valley Partnership actively support the project.

Of particular interest to our members, whose expertise spans nearly every phase of development and redevelopment – planners, appraisers, lenders, brokers, architects, engineers, builders, developers, title companies, etc. – is the promise of true revitalization of this critical area of our Valley. We understand many details remain to be hammered out, but at the same time recognize that the proposed use of this site is one that is likely to bring the kind of quality long-term economic growth that will help enhance Scottsdale's future.

Much has been made in recent months about "infill development" and "attracting and retaining the creative class." It is difficult to envision a more relevant example of potential implementation of these ideas than those contemplated by the creation of the ASU Center for New Technology and Innovation.

We wish you continued success in your negotiations and look forward to working with you on this fascinating project which is sure to advance Scottsdale's reputation for its excellent quality of life.

Sincerely,

Pete Bolton  
President

Maria Baier  
Executive Director

3003  
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85012

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*Advocating Responsible Development*

June 28, 2004

Honorable Mayor and Council members:

Re: Los Arcos

Attached please find copy of the fact sheet passed out last Thursday evening at the city sponsored open house.

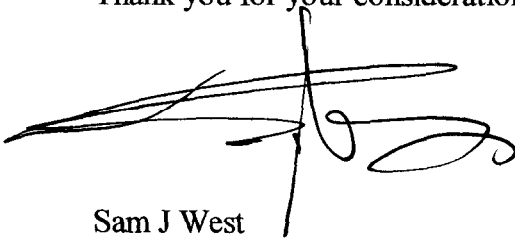
I have supported the idea of an academic research facility at this location for more than two years.

At the same time certain measures need to be taken to minimize the potential for creating more problems.

To that end there are several questions that need to be answered and decisions made prior to going forward with this project.

Comments have been added to the original text in bold, italics.

Thank you for your consideration of this matter.

A handwritten signature in black ink, appearing to read 'Sam J West', with a large, stylized flourish extending to the left.

Sam J West

**ASU CENTER FOR NEW TECHNOLOGY AND INNOVATION  
FREQUENTLY ASKED QUESTIONS**

**LAND PURCHASE**

**1. What is the exact land that will be purchased?**

There are approximately 42 acres in the total proposed acquisition. These consist of the former mall site - about 37 acres located between Scottsdale Rd. and 74th St. and McDowell Rd. south to the alley just north of Bellevue St. (excluding the Bank One branch at the corner of McDowell and 74th). In addition, there are approximately 5 acres east of 74th St., south of Los Arcos Crossing shopping center and west of the Los Arcos United Methodist Church on 74th St. that are also part of the land holdings. **WHY BUILD A HOTEL NEXT TO A RESIDENTIAL AREA? WHY NOT MAKE IT ONE PROJECT AND LET THE PRIVATE SECTOR TAKE CARE OF THE HOTEL BUSINESS. LOOK AT THE RED INK OTHER CITIES HAVE FROM BEING IN THE HOTEL BUSINESS. THE CITY OF SCOTTSDALE SHOULD NOT BE COMPETING WITH THE PRIVATE SECTOR WITH PUBLIC DOLLARS.**

**2. Who currently holds title to the land, and is there a lien on it?**

The land is owned by "Los Arcos Development, LLC" commonly referred to as The Ellman Companies; there is a lien on the property by Price Legacy Corp., a San Diego based Real Estate Investment Trust (REIT). **ARE THERE ANY OTHER CLAIMS AGAINST THE PROPERTY?**

**3. Why is the City purchasing the site from the ASU Foundation rather than directly from The Ellman Companies?**

The ASU Foundation was the entity that negotiated and signed a sales contract with Ellman and his lenders. **WHO ARE THE LENDERS?**

**4. How was the figure of \$41.5 million derived?**

This was based on a negotiation between the ASU Foundation and The Ellman Companies and its lenders. **HOW MUCH ARE THESE NOTES ?**

**5. Didn't the City just do an appraisal that said the land was only worth \$23 million?**

There was an appraisal done about 18 months ago that concluded that the land was worth \$23.5 million based on a "highest and best use" of the property as a retail center.

**6. Is it possible to acquire the land at a lower value through other mechanisms, such as condemnation, or by "waiting out" Ellman?**

It might be possible, but one cannot predict if or when either might occur. Condemnation would likely entail a 2-4 year legal battle, and by then ASU will have found another location for this facility.

**7. What are the terms of Ellman's deal with Price Legacy? Does he have any extensions?**

Exact terms of their transaction are non of public, and City staff has no direct knowledge regarding these terms. **ARE PRICE LEGACY AND THE OTHER NOTE HOLDERS GOING TO GIVE CLEAR TITLE TO ASU?**

**8. Didn't Price Legacy recently "write down" the value of this loan?**

Price Legacy recently made an accounting on their books, which wrote down the value of this loan to approximately \$23 million; however, it is our understanding that this was an accounting move only, and that Ellman is still responsible for the entire amount owed. **NOT MAKE SENSE WHEN COUPLED WITH THE STATEMENTS ABOVE.**

**9. How much money will Ellman receive out of the \$41.5 million?**

Again, components of the transaction between Price Legacy and Ellman are not public, and therefore we do not know specific details such as this. **THE PREVIOUS HISTORY OF THIS DEAL**

**DOES NOT LEAD ONE TO WONDER IF CLEAR TITLE WILL BE DELIVERED AT THE STIPULATED PRICE.**

**10. Why the hurry to do this deal?**

Ellman has indicated that he has other options for the land, and AS U has an immediate need for space. **A DUE DILIGENCE PERIOD OF 45 DAYS IS NORMAL MINIMUM TIME FOR A PROJECT LIKE THIS. AN AGREEMENT WITH LESS TIME COULD BE QUESTIONED**

**THE PROJECT**

**11. How much of the 42 acres would be devoted to ASU?**

The City will retain control of approximately 5 acres - 3 acres east of 74th St. (possibly to help facilitate the redevelopment of Los Arcos Crossings) and about 2 acres along Scottsdale Rd. (anticipated to be a future business hotel site). In addition, the City will likely retain control and responsibility for the internal roadways, public plazas, etc. **WHY IS THIS LAND BEING HELD OUT?**

**12. What will the project look like?**

It is anticipated that the AS U Scottsdale Center for New Technology and Innovation will be a Center with a strong pedestrian orientation. Total anticipated space would be between 1.0-1.2 million square feet. The buildings would likely be 3-5 stories (no taller than the old Broadway store that was on the site), with some street level retail and service facilities, and upper level office/research space. There would be significant landscaping and streetscaping, a plaza feature, and either above or below ground structured parking. The actual site plan has not been developed yet, but will be subject to all normal City approval processes, including zoning and Development Review Board. **ALL THE BUILDINGS IN THIS PROJECT SHALL BE SET BACK TO MATCH THE NEIGHBORHOOD. THIS IS NOT A QUESTION.**

**13. Why does ASU need 30-40 acres to do this project - they are doing other projects at the Tempe campus of similar size but on much less land?**

The Tempe projects are being developed at a much higher intensity, with taller buildings and higher FARs. If we want to maintain a "Scottsdale-feel" (**ACCORDING TO WHO'S DEFINITION?**) to this project, with lower heights, more landscaping, public plazas, etc. they need this much acres **IS THIS PROJECT GOING TO BE SIMILAR TO DOWNTOWN TEMPE?**

**14. What will ASU put at this campus?**

It is anticipated that much of ASU's applied research, tech transfer, entrepreneurship, research commercialization, industry development, and contract research work will be housed at this facility. Specifics are still being developed, but preliminary indications suggest that programs such as AZ Tech, Technopolis, the Entrepreneurship Center, and the Arts, Media, and Engineering program would be housed at this location. Some of these programs would be direct ASU programs, some would be under the auspices of the ASU Foundation, some would be joint ventures with private industry, and some would be contract or grant based applied research. In addition, it is anticipated that there would be as much as 10% of the site devoted to retail/support businesses here (such as coffee shops, restaurants, copy centers, bookstores, etc.). **WHO WILL BE RESPONSIBLE FOR THIS PORTION OF THE PROJECT? WHAT ARE THE REQUIREMENTS FOR DEFINING THIS PORTION OF THE PROJECT?**

**15. What is the timing of the project?**

The ASU Foundation would like to have the first building (between 150-250,000 square feet) complete in the next 18-24 months. After that, they would anticipate adding an additional 150-200,000 square feet every 18-24 months. Complete build out would be in approximately 10 years. The lease does give ASUF added time to complete the project, to allow for variations in market



cycles and demand. Under the lease, a minimum of 150,000 sq.ft. must be complete within 3 years, followed by an additional 150,000 sq.ft. every 3 years thereafter. **IS THE BEST SITE GOING TO BE USED FIRST?**

**16. Will this change ASU's announced plans for 4 valleywide campuses?**

It is our understanding that ASU still will move forward with their plans for 4 campuses (ASU Main, ASU West, ASU Polytechnic @ Gateway, and ASU Capital Center in central Phoenix). This facility may see some programs currently housed on the Main campus, but since that campus is out of space, that will free up space for other programs there.

**17. Will the City need to rezone the site?**

The City has discussed creating some type of "research park overlay" or special campus zoning category to provide greater flexibility for a mix of uses and campus environment. **IF ZONING IS CHANGED WILL IT CONFORM TO THE INTENT OF THE EXISTING GENERAL PLAN AND ZONING?**

**18. Are there similar projects like this already built? Is this like the ASU Research Park?**

ASU has indicated that there are various components found in other locations, but this would be the first project of its kind. The existing ASU Research Park was built as a real estate venture to house mostly private businesses, not ASU facilities.

**CITY OBLIGATIONS**

**19. Under this agreement, who would hold title to the land?**

The City would hold title, and would enter into a long-term ground lease with the ASU Foundation.

**20. What are the City's financial obligations?**

The City would need to acquire the land at a cost of \$41.5 million, and would need to provide the basic site infrastructure necessary to support the development of this campus. That would include demolition, construction of internal streets, utilities, landscaping, and parking structures. The current estimated cost of these is between \$40-45 million. Therefore the total City obligation would be up to \$86.5 million. **THE LAND COST IS GOING TO BE \$22.68 PER SQUARE FOOT.**

**THE INFRASTRUCTURE IMPROVEMENTS WILL COST ABOUT \$22.96 PER SQUARE FOOT. THIS INCLUDES PARKING. THE TOTAL OF THESE IS \$45.64. CAN THE FIVE ACRES (BUSINESS HOTEL) AND THE APPROXIMATELY FOUR ACRES (RETAIL, RESTAURANTS ETC.) STAND THIS KIND OF COST AND BE MARKETABLE WITHOUT SUBSIDY?**

**21. How will the City pay for these obligations?**

It is anticipated that the City would use Municipal Property Corporation (MPC) bonds to acquire the land, and that the infrastructure would be either all pay-as-you-go, or a combination of pay-as-you-go and additional MPC bonds.

**22. What will be the total cost of the land acquisition including debt service, and how will that debt be serviced?**

Assuming a 30-year amortization schedule and a tax exempt financing interest rate of about 4.3%, we would anticipate that the total principal and interest cost of the purchase to amount to \$75-80 million over the 30 year period. MPC debt is backed by the City's excise tax (not property tax), rather than by a specific revenue stream.

**23. Will the City need to raise taxes to pay for this project?**

No. It is expected that the bonds would be paid off by the increased revenues the City would realize from both the site and from the spinoff impacts of this project.

**24. How will the infrastructure be paid for?**

It is expected that the initial infrastructure (\$10-15 mil.) would be paid on a pay-as-you-go basis out of the City's Economic Investment Fund, capital improvement fund, and/or contingency funds. The parking structures would need to be built sometime after year 4 at an estimated cost of \$30-35 million; the City could continue to utilize a pay-as-you-go basis if funds are available, or could possibly issue additional MPC debt if necessary.

**25. How will ongoing operation and maintenance be handled?**

ASU would be responsible for operation and maintenance costs associated with the buildings; the City would be responsible for operation and maintenance costs of the public infrastructure (i.e. streets and utilities) just as it does throughout the rest of the City.

**ASU OBLIGATIONS**

**26. How will the land be transferred to the ASU Foundation once the City owns it?**

The City will enter into a long-term ground lease with the Foundation. Specifics of the lease are available in the term sheet.

**27. Will the City allow this lease to be subordinated?**

No. The City will not allow the land to be pledged as part of the collateral by the ASU Foundation for their building construction loans; in the event of a default, the City's ownership of the land will not be at risk.

**28. What will the ASU Foundation's performance obligations be with regard to the property?**

The ASU Foundation will be required to construct and operate the buildings on this campus. There will be a phased timetable for construction of the facilities and for operating the Center in keeping with the nature of the project. Specifics of the performance obligations are included in the Term Sheet.

**29. Who will pay for construction of the buildings?**

The ASU Foundation is solely responsible for paying for the buildings; the City will have no financial obligation in this regard.

**30. What happens if the Foundation fails to meet the performance deadlines?**

If the Foundation has only built part of the campus and then fails to meet its obligations on the remainder, the ground lease will remain in effect on the completed portions of the site, but the remainder of the land will revert back to the City, who would then be able to do whatever it wanted on it. **WHAT ARE THE CITY OPTIONS WITH \$45.00 PER SQUARE FOOT IN THE PROPERTY?**

**31. What happens if the City purchases the land, but the ASU Foundation fails to even begin construction of the first building?**

The City would take back the entire site, and could then do whatever it wanted with it.

**WHAT ARE THE CITY OPTIONS WITH \$45.00 PER SQUARE FOOT IN THE PROPERTY?**

**32. But wouldn't we get stuck with land that is worth more than what other developers might be willing to pay for it?**

It is possible. The City would likely decide to sell it through a public bidding process or an RFP process, and the City would control what ultimately happened on the site. **WHAT ARE THE CITY OPTIONS WITH \$45.00 PER SQUARE FOOT IN THE PROPERTY?**

**33. Would ASU be able to sell off buildings in the future to private companies?**

If ASU were to do so, the lease stipulates that the proceeds of any sale (or refinance of the buildings) would have to be shared on a 50/50 basis with the City. **IS THE LEASE PERPETUAL WITH NO OUTS?**

**34. Will ASU itself be a party to this lease, or just the Foundation?**

The ASU Foundation Scottsdale L.L.C. is the party to this lease.

**35. But isn't ASU paying for these buildings?**

No. The ASU Foundation is financing for the facilities.

**ECONOMIC/FISCAL IMPACT**

**36. What is the major benefit to the City of Scottsdale from this project?**

Based on the ultimate build out of 1.2 million square feet of space, the project is expected to create up to 4,000 relatively high paying jobs. Those jobs are expected to have a major impact on the immediate area in terms of creating new demand for services, housing, etc., and should therefore be a major impetus for the revitalization of the immediate area.

**37. What are the expected direct fiscal benefits that the City will likely receive from the site itself?**

There are three sources of direct revenue from the site:

- A) City Tax Revenues: The site will generate City sales tax, property tax on the improvements (but not on the land), construction sales tax, **(NO TAX SUBSIDIES?)** hotel bed tax, hotel pad lease revenue, permits and fees, etc. A very conservative estimate of these revenues over a 30-year period (without any inflation, growth factors, multipliers, etc.) is \$26-32 million; with inflation that range rises to \$35-42 million.
- B) ASU Lease Revenue: The City will receive a lease payment from the ASU Foundation relating to the private uses that will occur on this site - for example, if there is a privately owned bookstore or office that is part of this site, which is paying the ASU Foundation a market rate lease, the City will share in a portion of those lease revenues. Additionally, the City will share in parking revenues that arise from the site. As part of the lease, the City will share in 50% of the net revenues from this site (net revenues equal gross revenues minus operation/maintenance, debt service, and a capital reserve fund). It is anticipated that over the long term (30-40 years), the City would recoup enough lease revenue to fully recover its allocated share of the principal costs relating to both the land purchase and the infrastructure development (\$81.4 million).
- C) Commercial Site Lease Revenues: The City will retain 5 acres of land with the intention of making all or a portion available for commercial development on a market rate lease basis. One of the uses being discussed is a business-type hotel, although the City will wait to determine the market feasibility of any use at the appropriate time in the future. This lease of the commercial site is expected to generate an additional \$5-8 million in lease revenues to the City over the first 30 years.

**38. What other indirect fiscal benefits are likely from the development of this project?**

Staff analysis looked at the anticipated impact of this project on City revenues from the southern part of Scottsdale. This analysis suggests that the combination of anticipated redevelopment of nearby centers (Los Arcos Crossing and the K-Mart center), along with stabilization of revenues from the McDowell corridor auto dealers and the balance of the southern portion of the community, will result in a net increase in direct City revenues over a 30 year period of \$146 million.

**39. What other economic impacts could be anticipated?**

The impact of up to 4,000 new jobs and \$300 million in new capital investment in this portion of the City will likely induce significant new benefits to the entire community, in the form of new housing demand, new demand for retail and services, induced jobs that are created by this project, etc. While it is difficult to quantify, it is expected that this project will serve as a major catalyst for additional reinvestment in this

**SEVERAL THINGS HAVE TO HAPPEN IF WE ARE GOING TO GO FORWARD WITH THIS EFFORT. SOME OF THEM ARE:**

- 1. THIS CITY COUNCIL HAS TO MAKE ARRANGEMENTS TO PRECLUDE ANYONE FROM USING OUR LAWS, REGULATIONS OR POLICIES TO LINE THEIR POCKETS WITH PROFITS FROM TAXES PAID BY CITIZENS. THIS DEVELOPER HAS PLAYED US LIKE A DRUM TO THE TUNE OF \$18,000,000**
- 2. THE MESSAGE HAS TO BE SENT THAT THERE WILL BE NO MORE GIVEAWAYS, EVEN IF IT MEANS GOING TO COURT.**

**JUST SO NO ONE THINKS I AM PICKING ON THIS POOR DEVELOPER. ANOTHER DEVELOPER WAS GIVEN ABOUT \$5,000,000 NOT TO LONG AGO BECAUSE HE COULD NOT MAKE A SATISFACTORY PROFIT WITHOUT THE SUBSIDY. HE JUST PUT UP A \$1,000,000 TOWER SO EVERYONE COULD FIND HIS PLACE.**